

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

COMMITTEE ON BUSINESS AND LABOR

Call to Order: By **CHAIRMAN JOE MCKENNEY**, on January 9, 2003 at 8:00 A.M., in Room 172 Capitol.

ROLL CALL

Members Present:

Rep. Joe McKenney, Chairman (R)
Rep. Jim Keane, Vice Chairman (D)
Rep. Donald Steinbeisser, Vice Chairman (R)
Rep. Bob Bergren (D)
Rep. Rod Bitney (R)
Rep. Sylvia Bookout-Reinicke (R)
Rep. Nancy Fritz (D)
Rep. Dave Gallik (D)
Rep. Kathleen Galvin-Halcro (D)
Rep. Ray Hawk (R)
Rep. Bob Lawson (R)
Rep. Rick Maedje (R)
Rep. Gary Matthews (D)
Rep. Scott Mendenhall (R)
Rep. Penny Morgan (R)
Rep. Allen Rome (R)
Rep. Sandy Weiss (D)

Members Excused: Rep. Bill Wilson (D)

Members Absent: None.

Staff Present: Bart Campbell, Legislative Branch
Alberta Strachan, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 165; HB 117; HB36; HB 182
Executive Action: HB 33; HB 65; HB 50; HB 117;
HB 36

HEARING ON HB 165**Opening Statement by Sponsor:**

REP. BOB LAKE, HD 60, Hamilton, said this was a bill to allow Montana Lottery to participate in international lotteries. The title of the bill addresses participation in the international lotteries and the intent of the bill is to provide the lottery to continue to offer Power Ball if a foreign country petitions to become a member of the Power Ball. Mexico has already petitioned to become a member of the Power Ball group and the Canadian province which is also recognized as a foreign country.

Currently the Montana Lottery can enter into agreements with other lottery states and in fact it has done so to be able to offer the three of its four lottery games; Power Ball, Hot Lotto and Wild Card. If this legislation is not passed and a foreign country becomes a member of Power Ball, the Montana Lottery will have no choice but to immediately disassociate itself from the Power Ball group. This means it will not be able to offer Power Ball in Montana. There would be serious ramifications if that were to happen. Since net profit from Power Ball represents approximately 2/3 of the lottery's annual to the general fund, the general fund could likely lose that 2/3 of what the lottery provides. In fiscal year 2002, that would have been nearly \$2 million. Montana Lottery retailers could also lose up to \$700,000.00 per year in commissions. Possibly the highest profile consequence would be the Montana Power Ball players having to drive to Idaho or South Dakota to purchase the tickets they have been purchasing here since 1992.

There are those who will say this will expand gambling. He said that he maintained that is not the case - it is to maintain the status quo. To allow Montana Lottery to offer Power Ball to Montanans in the case of a foreign country becoming a member. Since the beginning of the lottery the Legislature has provided the lottery the authority to enter into agreements with other lottery jurisdictions to offer them multi-jurisdiction games. This legislation is not an expansion of gambling. It is both a continuation of the Legislature's inclination to allow the lottery authority to participate in the multi-jurisdictional games in a way of maintaining the status quo.

{Tape: 1; Side: A; Approx. Time Counter: 1 - 247}

Proponents' Testimony:

Bob Crippen, Chairman, Montana Lottery Commission and Executive Director, Newland and Company, said he stands in support of this bill. Without this legislation Montana Lottery will not be able

to offer Power Ball should a foreign country become a member of Power Ball. Foreign country membership is becoming on increasing possibility. Power Ball is the Lottery's most powerful and profitable game. If discontinued, the annual transfer to the general fund will likely decrease by 2/3. Based on the \$7.5 million in fiscal 2002, that would be a decrease of nearly \$5 million to the general fund. In the past they have approved the lotteries entering into agreements with 24 other states and territories in being able to offer Power Ball. Six other states to offer Hot Lotto and two other states to offer Wild Card. This bill is in no way attempting to expand Montana Lottery but it is to keep what we have.

{Tape: 1; Side: A; Approx. Time Counter: 247 - 296}

Jerry LaShare, Director, Montana Lottery, said failure to pass this legislation will mean a substantive decrease of lottery transfers to the general fund, a loss of hundreds of thousands of dollars in commissions to lottery retailers, and most likely a certain amount of frustration or anger for many who will be unable to make what has become for them a twice-weekly planned purchase in their home towns.

EXHIBIT (buh04a01)

{Tape: 1; Side: A; Approx. Time Counter: 296 - 423}

Pat Relaunch, Marketing Manager, Suddie Oil Company has been a retail partner of the state lottery since its conception. The customer service Suddie Oil offers is extremely important. Power is the best selling lottery product sold. In 2002 they sold 1 million lottery tickets and over 50% of those tickets were in the Power Ball game. The state would lose the income not only on the Power Ball sales but eventually the income in all of the lottery games. Retailers would lose their commission and the people of Montana would lose the service they have come to expect in the last 15 years since the lottery first came into Montana.

{Tape: 1; Side: A; Approx. Time Counter: 423 - 475}

Opponents' Testimony:

Judy Millem, Executive Director, Montana Family Coalition, said their program had always been opposed to gambling of any sort. They believe the hardship this places on families is not good. She distributed a Federal Trade Commission warning.

EXHIBIT (buh04a02)

{Tape: 1; Side: A; Approx. Time Counter: 475 - 516}

Informational Testimony: None

Questions from Committee Members and Responses:

REP. BOOKOUT-REINIKE asked **Mr. LaShare** to define "study." He said they communicate with other lotteries and find out what they are doing and they discuss the types of games they are offering as well as the things they are doing operationally and anything that may be of interest to the lottery. **REP. BOOKOUT-REINIKE** asked if the public was involved in any way in rule making. **Mr. LaShare** said there was a commission and open meetings in which the public would attend; any of the policies that are being put in place are done through the commission and public comment. She then asked for the definition of "association." He said that would be true of any case where a number of lotteries had assembled to form a group and formalize this into an agreement. There is an association called Multi-State Lottery Association which serves as the umbrella under which the games currently are being offered through other lotteries. They use this information as a operations guideline. She then asked **Mr. LaShare** if he would oppose an amendment that would restrict this international association to the games currently in operation so gambling is not expanded. **Mr. LaShare** said the game was currently called Power Ball and this game could be different in any sort of name and structure in the future. It may be an entirely different game the Montana Lottery must join to still offer the types of jackpots. **REP. BOOKOUT-REINIKE** asked if the number of games could be restricted in an amendment. He said there is no restriction about the number of games they have to offer. To do this, there would be an additional restriction upon the lottery and it would be to their detriment in the future. He explained that because games need to change, be replaced, and new opportunities need to be offered. She then asked if they were restricted now and to which he replied that they weren't. He added that there is a restriction on the type of game such as instant game or lotto game, but there is no number restriction. *{Tape: 1; Side: A; Approx. Time Counter: 516 - 666}*

REP. MATTHEWS asked **Mr. Crippen** what percent of the winnings from Power Ball were deposited into the general fund. **Mr. Crippen** said without Power Ball the funds would be drastically reduced. *{Tape: 1; Side: B; Approx. Time Counter: 2 - 18}*

REP. MENDENHALL asked **Mr. LaShare** if there were data which would indicate the amount as it fluctuates. He said there had recently been an example in which the lottery had collected \$1.1 million in sales as a result of a jackpot. As the jackpot increases there is more interest in Power Ball. The players participating are not the same individuals, but as more individuals grow more

interested in the game, they are the people that force up the jackpot.

{Tape: 1; Side: B; Approx. Time Counter: 18 - 62}

REP. BITNEY asked **Mr. LaShare** for a breakdown on how Power Ball proceeds would be paid out and what the administrative expenses would be. **Mr. LaShare** then gave a breakdown.

{Tape: 1; Side: B; Approx. Time Counter: 62 - 190}

REP. GALVIN-HALCRO asked **Mr. LaShare** who was overseeing the admittance of other countries and their participation in monies that could be used for terrorism. **Mr. LaShare** said the type of organization that the state would be involved with is the national Mexican lottery which is run by the government. In the same way, the Montana lottery is run by state government. The concerns about this are probably understandable but not necessarily founded.

{Tape: 1; Side: B; Approx. Time Counter: 190 - 208}

REP. KEANE questioned **Mr LaShare** about possible provinces joining also. When it was drafted by the Legislative Council and was told the way the law is written, provinces would also be allowed to join Power Ball or any other games.

{Tape: 1; Side: B; Approx. Time Counter: 208 - 218}

REP. MAEDJE asked **Mr. Maedje** asked how many people in Montana actually play Power Ball. His answer was that 40% of the adult population plays the Montana Lottery.

{Tape: 1; Side: B; Approx. Time Counter: 218 - 246}

REP. WEISS asked **Mr. LaShare** how many countries in the world have lotteries. Her answer was that other members of the association were required to vote in countries who were interested in joining.

{Tape: 1; Side: B; Approx. Time Counter: 246 - 263}

CHAIRMAN MCKENNEY said he understood that the lottery was approved by a vote of the people in 1980s. He asked what the percentage was. **Mr. LaShare** said the lottery was approved by the vote of the people and was done so in November 1986. Those who voted for it were 69% and it passed in every county in Montana.

CHAIRMAN MCKENNEY then asked if part of Montana ticket sales go to other jurisdictions to help their general fund or do the Power Ball sales just stay in state)excluding prizes and administration. **Mr. LaShare** said we receive each dollar in Montana and what does go out of state is our contribution to the jackpot. Whomever wins the jackpot gets that money and the only other types of expenses that go out as a result of the sale would

be the expenses of the association itself as it runs the game for Montana collectively doing such things as drawings.

{Tape: 1; Side: B; Approx. Time Counter: 263 - 294}

REP. MORGAN asked **Mr. LaShare** asked if there would be opposition to an amendment that would define what countries would be allowed to participate in this lottery such as if we would play lottery with Iraq. The Director said the language is clear enough that it would not be affecting countries that were set to do harm, but he would not have a problem with the amendment.

{Tape: 1; Side: B; Approx. Time Counter: 294 - 362}

Closing Statement by Sponsor:

REP. LAKE said he solicited a do pass vote on this bill.

HEARING ON HB 117

Opening Statement by Sponsor:

REP. CHRISTINE KAUFMANN, HD 53, Helena, said that this bill was at the request of the Department of Revenue and it clarifies several things related to the unemployment insurance pack. She then explained the amendments given.

{Tape: 1; Side: B; Approx. Time Counter: 362 - 445}

Proponents' Testimony:

Don Hoffman, Department of Revenue, said he was in agreement with **REP. KAUFMANN** in her explanation of the bill.

{Tape: 1; Side: B; Approx. Time Counter: 445 - 461}

Opponents' Testimony: None

Informational Testimony: None

Questions from Committee Members and Responses:

REP. BITNEY questioned **Mr. Hoffman** regarding page 2, section 2 which deals with those instances when there is a legitimate difference about the classification and rate for an employer for unemployment insurance and that is what the section reveals. The thirty days is the time in which the employer needs to respond to the department with respect to those classification issues. Those are the instances where there is a legitimate difference in the classification.

Closing by Sponsor:

The Sponsor closed.

{Tape: 2; Side: A; Approx. Time Counter: 1 - 2}

HEARING ON HB 36**Opening Statement by Sponsor:**

REP. BOB LAWSON, HD 80, Whitefish, stated this was an act revising the laws governing credit union. It authorizes the Department of Administration to determine the schedule for credit union examinations, eliminates the makeup requirements for regular reserve accounts and grants the Department the discretion to require credit unions to establish a regular reserve account as well as repeals the definition of risk assets. He also reviewed the language change in the bill.

{Tape: 2; Side: A; Approx. Time Counter: 2 - 81}

Proponents' Testimony:

Annie M. Goodwin, Commissioner, Division of Banking & Financial Institutions, Department of Administration, stated her organization supervises state-chartered credit unions. This bill was developed by the Division in response to changes made in federal policy and regulations that are applicable to state-chartered credit unions.

EXHIBIT (buh04a03)

{Tape: 2; Side: A; Approx. Time Counter: 81 - 128}

Bob Pyfer, Senior Vice President, Montana Credit Union Network, said his organization wishes to go on record as being in support of this bill. It makes sense to have some flexibility in the scheduling of examinations based on risk and this also provides the federal regulators in this regard. It makes sense the reserve requirements to avoid duplication and overlap with federal regulations as well as to avoid the accounting difficulties.

{Tape: 2; Side: AB; Approx. Time Counter: 128 - 147}

Opponents' Testimony: None

Informational Testimony: None

Questions from Committee Members and Responses:

REP. MORGAN asked Ms. Morgan regarding the word "GACP" and her answer was General Accepted Accounting Principles.

{Tape: 2; Side: A; Approx. Time Counter: 147 - 161}

Closing by Sponsor:

The Sponsor closed.

HEARING ON HB 182

Opening Statement by Sponsor:

REP. ALLEN ROME, HD 56, Garrison, stated this bill was an act generally revising outdated references to the Department of Commerce following its 2001 reorganization. It changes the responsibility for monumentation and related survey requirements to the board of professional engineers and professional land surveyors and revises revising rule-making authority for the Office of Economic Development.

{Tape: 2; Side: A; Approx. Time Counter: 161 - 232}

Proponents' Testimony:

Mark Symonich, Director, Department of Commerce, said this was a cleanup bill to deal with a very large bill which was passed last session. Functions were transferred to another agency such as the Department of Labor and Industry and there is still references to the building codes to the Department of Labor and Industry. He then spoke of the two amendments in the bill.

{Tape: 2; Side: A; Approx. Time Counter: 232 - 429}

Cleo Anderson, Department of Revenue, requested amendments which now appear in the bill.

{Tape: 2; Side: A; Approx. Time Counter: 429 - 462}

Jim Kimball, Montana Association of Registered Land Surveyors, said he was offering the associations support for this bill.

{Tape: 2; Side: A Approx. Time Counter: 462 - 470}

Opponents' Testimony: None

Informational Testimony: None

Questions from Committee Members and Responses:

REP. MENDENHALL asked **Mr. Symonich** for an explanation of the rules being adopted. His answer was related to departments.
{Tape: 2; Side: A Approx. Time Counter: 470 - 485}

REP. MAEDGE questioned **Mr. Symonich** regarding Section 5, saying that it seemed to be a fairly substantive change in that in the other amendments substitute the Department of Commerce for the Department of Labor and Industry. He questioned the thinking on this matter. **Mr. Symonich** said previously this responsibility was housed in Commerce and was actually carried out by some of the Department of Labor that work in a community technical assistance program to assist counties in land planning efforts. It has since been determined that this has nothing to do with land planning so it is not appropriate for the Department of Commerce and again it is setting a standard for surveying.
{Tape: 1; Side: B; Approx. Time Counter: 16 - 47}

CHAIRMAN McKenney asked **Mr. Campbell** to explain one of the amendments which may not fit in the title of the bill. He said the title of the bill states that it is generally revising outdated references to the Department of Commerce and then talks about some land surveying and rule making. On the amendment proposed by Department of Revenue, they are talking about switching the reference from the Department of Administration to Department of Labor and Industry. He said he fails to see how this fits the title. This amendment is better placed somewhere else. **Mr. Symonich** also said the Department of Revenue had this amendment and one other amendment added to the code commissioner's bill. **Mr. Petesch** indicated that at that point in time the bill was already printed, and he didn't really want to deal with amendments to that bill and have it reprinted because that is a fairly voluminous bill at an obvious increased cost. He asked the Department of Revenue to find another bill that they might be able to insert this language.
{Tape: 1; Side: B; Approx. Time Counter: 101 - 146}

EXECUTIVE ACTION ON HB 33

{Tape: 1; Side: B; Approx. Time Counter: Tape 2; Side A; Approx. Time Counter: 18}

Motion/Vote: **REP. GALVIN-HALCRO** moved **HB 33 DO PASS**. Roll call vote taken, motion fails 9-9 with **REPS. KEANE, BERGREN, BOOKOUT-REINICKE, FRITZ, GALLIK, GALVIN-HALCRO, ROME, WEISS, WILSON** voting yes.

Motion/Vote: REP. BITNEY moved that HB 33 BE TABLED. Motion carried 18-0.

EXECUTIVE ACTION ON HB 65

Motion: REP. MATTHEWS moved HB 65 DO PASS.

Motion/Vote: REP. MATTHEWS moved HB 65 BE AMENDED. Motion carried 18-0.

Motion/Vote: REP. MATTHEWS moved HB 65 DO PASS AS AMENDED. Motion carried 18-0.

EXECUTIVE ACTION ON HB 50

Motion/Vote: REP. BOOKOUT-REINICKE moved HB 50 DO PASS. Motion carried 18-0.

EXECUTIVE ACTION ON HB 117

Motion/Vote: REP. GALVIN-HALCRO moved HB 117 DO PASS. Motion carried 18-0.

EXECUTIVE ACTION ON HB 36

Motion/Vote: REP. LAWSON moved HB 36 DO PASS. Motion carried 18-0.

ADJOURNMENT

Adjournment: 10:50 A.M.

REP. JOE MCKENNEY, Chairman

ALBERTA STRACHAN, Secretary

JM/AS

EXHIBIT (buh04aad)